

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SHELBY RECC FOR THE)	
AUTHORIZATION TO BORROW FIVE HUNDRED,)	
SIXTY THOUSAND, EIGHT HUNDRED, TWENTY-)	
FIVE (\$560,825) DOLLARS, FROM NATIONAL)	
RURAL UTILITIES COOPERATIVE FINANCE)	
CORPORATION, AND TO EXECUTE A NOTE FOR)	CASE NO 9668
SAID SUM; AND FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO MAKE)	
CERTAIN EXTENSIONS AND IMPROVEMENTS TO)	
ITS SYSTEM)	

O R D E R

Shelby Rural Electric Cooperative Corporation ("Shelby") filed its application on August 15, 1986, for a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes and mortgages to secure such loan. The Commission requested additional information and it was received on September 19, 1986. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,813,000 and will be financed by a loan of \$1,269,000 from the Rural Electrification Administration ("REA") and a loan of \$560,825 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require the construction by Shelby of the improvements and additions to its existing plant as described in the application and record, and a certificate should be granted.

2. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Shelby is necessary and appropriate for and consistent with the proper performance by Shelby of its service to the public, and will not impair its ability to perform that service.

IT IS THEREFORE ORDERED that:

1. Shelby be and it hereby is granted a certificate of convenience and necessity to proceed with the construction and additions as set forth in the application of record.

2. Shelby be and it hereby is authorized to borrow \$560,825 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Shelby at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

3. Shelby shall utilize the interest rate program which will result in the net lowest cost of money to Shelby over the term of the financing.

4. Shelby shall notify the Commission of the interest rate option elected for the financing approved herein along with a statement as to the basis for the decision.

5. Shelby be and it hereby is authorized to execute its notes as security for the loan herein authorized.

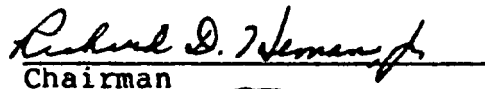
6. The proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

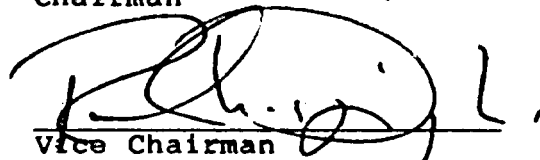
7. Shelby shall file, along with its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 10th day of October, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director